



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code	1311	(Current Period)	1311	(Prior Period)	NAIC Company Code	95844	Employer's ID Number	38-2242827
Organized under the Laws of	Michigan				State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States							
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Hospital, Medical & Dental Service or Indemnity []			
	Dental Service Corporation []		Vision Service Corporation []		Health Maintenance Organization [X]			
	Other []		Is HMO, Federally Qualified? Yes [X] No []					
Incorporated/Organized	06/27/1978		Commenced Business		02/08/1979			
Statutory Home Office	2850 West Grand Boulevard				Detroit, MI 48202			
	(Street and Number)				(City, State and Zip Code)			
Main Administrative Office	2850 West Grand Boulevard							
	(Street and Number)							
	Detroit, MI 48202				313-872-8100			
	(City, State and Zip Code)				(Area Code) (Telephone Number)			
Mail Address	2850 West Grand Boulevard				Detroit, MI 48202			
	(Street and Number or P.O. Box)				(City, State and Zip Code)			
Primary Location of Books and Records	2850 West Grand Boulevard							
	(Street and Number)							
	Detroit, MI 48202				248-443-1093			
	(City, State and Zip Code)				(Area Code) (Telephone Number) (Extension)			
Internet Web Site Address	www.hap.org							
Statutory Statement Contact	Dianna L Ronan CPA				248-443-1093			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	dronan@hap.org				248-443-8610			
	(E-Mail Address)				(Fax Number)			

OFFICERS

Name	Title	Name	Title
William R Alvin #	President and CEO	Ronald W Berry	Treasurer
Maurice E McMurray	Secretary		

OTHER OFFICERS

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DIRECTORS OR TRUSTEES

William R Alvin #	Nicholas C Anderson	Marvin Beatty	MaryBeth Bolton MD
William A Conway MD	Linda Ewing #	John T Gargaro	Jethro Joseph
Jackie Martin	William L Peirce	Richard Popp	Carol Quigley IHM
Catherine A Roberts	Robin Scales-Wooten	Nancy Schlichting	Rebecca R Smith
Susie Wells	Karen Wezner		

State of Michigan
County of Wayne

ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

William R Alvin President and CEO	Ronald W Berry Treasurer	Maurice E McMurray Secretary
Subscribed and sworn to before me this 14 day of 02, 2010		
Roderick Irwin Curry Notary August 14 2013		
a. Is this an original filing? Yes [X] No []		
b. If no:		
1. State the amendment number 0		
2. Date filed		
3. Number of pages attached 0		

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	0		0	0
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	105,481,103		105,481,103	77,313,915
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	2,443,244	1,647,104	796,140	825,258
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$4,996,352 , Schedule E-Part 1), cash equivalents (\$0 , Schedule E-Part 2) and short-term investments (\$235,807,164 , Schedule DA).....	240,803,516		240,803,516	199,356,634
6. Contract loans (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	26,682,854	0	26,682,854	23,121,921
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	719,202	0	719,202	1,189,862
10. Subtotals, cash and invested assets (Lines 1 to 9)	376,129,920	1,647,104	374,482,816	301,807,589
11. Title plants less \$charged off (for Title insurers only)			0	0
12. Investment income due and accrued	448,785		448,785	414,047
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	21,698,770		21,698,770	15,155,726
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans	377,561		377,561	95,363
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....	14,029,516	12,383,016	1,646,500	814,465
19. Furniture and equipment, including health care delivery assets (\$)	608,220	608,220	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	1,242,323		1,242,323	1,194,302
22. Health care (\$4,451,918) and other amounts receivable	4,451,918		4,451,918	3,068,721
23. Aggregate write-ins for other than invested assets	5,630,032	4,660,634	969,398	678,940
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	424,617,045	19,298,974	405,318,071	323,229,153
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	424,617,045	19,298,974	405,318,071	323,229,153
DETAILS OF WRITE-INS				
0901. Rabbi Trust.....	719,202		719,202	1,189,862
0902.			0	0
0903.			0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	719,202	0	719,202	1,189,862
2301. Goodwill.....	2,796,212	2,796,212	0	0
2302. Prepaid Expense.....	1,864,422	1,864,422	0	0
2303. Deferred Compensation.....	873,764		873,764	618,244
2398. Summary of remaining write-ins for Line 23 from overflow page	95,635	0	95,635	60,695
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	5,630,032	4,660,634	969,398	678,940

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	103,263,982	12,442,857	115,706,839	109,955,307
2. Accrued medical incentive pool and bonus amounts	1,316,106		1,316,106	2,494,950
3. Unpaid claims adjustment expenses	1,050,051		1,050,051	777,711
4. Aggregate health policy reserves	400,881		400,881	1,237,757
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	13,459,692		13,459,692	12,945,144
9. General expenses due or accrued	13,774,486		13,774,486	14,476,971
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)).....			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	608,022		608,022	378,709
16. Payable for securities	357,446		357,446	284,161
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	2,351,280	0	2,351,280	4,454,471
22. Total liabilities (Lines 1 to 21).....	136,581,946	12,442,857	149,024,803	147,005,180
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX		0
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	256,293,268	176,223,972
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	256,293,268	176,223,972
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	405,318,071	323,229,153
DETAILS OF WRITE-INS				
2101. Pension Liability - Long Term.....	468,889		468,889	2,861,776
2102. Retiree Health Benefits.....	1,008,627		1,008,627	974,450
2103. Deferred Compensation.....	873,764		873,764	618,244
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	2,351,280	0	2,351,280	4,454,471
2301.	XXX	XXX		0
2302.	XXX	XXX		0
2303.	XXX	XXX		0
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		0
2802.	XXX	XXX		0
2803.	XXX	XXX		0
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,365,062	4,689,473
2. Net premium income (including \$ non-health premium income).....	XXX	1,718,076,250	1,655,116,487
3. Change in unearned premium reserves and reserve for rate credits	XXX		.0
4. Fee-for-service (net of \$ medical expenses)	XXX		.0
5. Risk revenue	XXX		.0
6. Aggregate write-ins for other health care related revenues	XXX	.0	.0
7. Aggregate write-ins for other non-health revenues	XXX	(977)	(15,619)
8. Total revenues (Lines 2 to 7)	XXX	1,718,075,273	1,655,100,868
Hospital and Medical:			
9. Hospital/medical benefits		1,147,983,321	1,086,863,068
10. Other professional services .....			.0
11. Outside referrals		53,657,469	46,282,444
12. Emergency room and out-of-area		141,188,418	147,816,797
13. Prescription drugs		244,470,029	233,339,216
14. Aggregate write-ins for other hospital and medical .....	.0	.0	.0
15. Incentive pool, withhold adjustments and bonus amounts.....		740,547	2,494,950
16. Subtotal (Lines 9 to 15) .....	.0	1,588,039,784	1,516,796,475
Less:			
17. Net reinsurance recoveries .....			.0
18. Total hospital and medical (Lines 16 minus 17) .....	.0	1,588,039,784	1,516,796,475
19. Non-health claims (net).....			.0
20. Claims adjustment expenses, including \$7,444,391 cost containment expenses.....		14,544,792	15,319,452
21. General administrative expenses.....		97,837,061	100,529,482
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		.0	.0
23. Total underwriting deductions (Lines 18 through 22) .....	.0	1,700,421,636	1,632,645,409
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	17,653,637	22,455,460
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		5,627,797	1,402,036
26. Net realized capital gains (losses) less capital gains tax of \$		(540,769)	(4,530,460)
27. Net investment gains (losses) (Lines 25 plus 26) .....	.0	5,087,029	(3,128,424)
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$ ..... )] .....			.0
29. Aggregate write-ins for other income or expenses .....	.0	47,926	148,929
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	22,788,591	19,475,964
31. Federal and foreign income taxes incurred	XXX		.0
32. Net income (loss) (Lines 30 minus 31)	XXX	22,788,591	19,475,964
DETAILS OF WRITE-INS			
0601.	XXX		.0
0602.	XXX		.0
0603.	XXX		.0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701. Gain/(Loss) on Sale of Fixed Assets.....	XXX	(977)	(15,619)
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	.0	.0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	(977)	(15,619)
1401. ....			.0
1402. ....			.0
1403. ....			.0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	.0	.0	.0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. CIGNA Miscellaneous Revenues.....		47,926	148,929
2902. ....			.0
2903. ....			.0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	.0	.0	.0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	47,926	148,929

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	176,223,972	238,900,600
34. Net income or (loss) from Line 32	22,788,591	19,475,964
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	14,277,751	(10,929,190)
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	41,971,527	(35,423,402)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		(35,800,000)
47. Aggregate write-ins for gains or (losses) in surplus	1,031,426	0
48. Net change in capital & surplus (Lines 34 to 47)	80,069,296	(62,676,628)
49. Capital and surplus end of reporting period (Line 33 plus 48)	256,293,268	176,223,972
DETAILS OF WRITE-INS		
4701. Net Change in Pension and Postretirement Related Items Measurement Date Change	(1,204,440)	0
4702. Correction of an Immaterial Error - EDP Accumulated Depreciation	2,235,866	0
4703.		0
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	1,031,426	0

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	1,712,047,754	1,651,408,432
2. Net investment income	4,475,451	9,944,443
3. Miscellaneous income	13,097	276,211
4. Total (Lines 1 through 3)	1,716,536,301	1,661,629,086
5. Benefit and loss related payments	1,583,467,095	1,516,163,811
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		.0
7. Commissions, expenses paid and aggregate write-ins for deductions	106,383,852	113,887,043
8. Dividends paid to policyholders		.0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	1,689,850,947	1,630,050,855
11. Net cash from operations (Line 4 minus Line 10)	26,685,354	31,578,231
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	.0	.0
12.2 Stocks	25,452,723	241,432,348
12.3 Mortgage loans	.0	.0
12.4 Real estate	.0	.0
12.5 Other invested assets	358,163	34,254,706
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	.0	.0
12.7 Miscellaneous proceeds	647,254	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	26,458,140	275,687,054
13. Cost of investments acquired (long-term only):		
13.1 Bonds	.0	.0
13.2 Stocks	4,228,829	199,503,890
13.3 Mortgage loans	.0	.0
13.4 Real estate	.0	.0
13.5 Other invested assets	.0	.0
13.6 Miscellaneous applications	0	636,003
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,228,829	200,139,893
14. Net increase (decrease) in contract loans and premium notes	.0	.0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	22,229,311	75,547,162
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	.0	.0
16.2 Capital and paid in surplus, less treasury stock	.0	.0
16.3 Borrowed funds	.0	.0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		.0
16.5 Dividends to stockholders	.0	35,800,000
16.6 Other cash provided (applied)	(7,467,783)	(49,679,279)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(7,467,783)	(85,479,279)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Line 15 plus Line 17)	41,446,882	21,646,114
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	199,356,634	177,710,520
19.2 End of year (Line 18 plus Line 19.1)	240,803,516	199,356,634

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Health Alliance Plan of Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,718,076,250	1,234,753,445	0	0	0	95,140,652	388,182,153	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	(977)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(977)
7. Total revenues (Lines 1 to 6)	1,718,075,273	1,234,753,445	0	0	0	95,140,652	388,182,153	0	0	(977)
8. Hospital/medical benefits	1,147,983,321	805,837,123				66,002,965	276,143,233			XXX
9. Other professional services	0									XXX
10. Outside referrals	53,657,469	37,675,046				3,083,840	12,898,583			XXX
11. Emergency room and out-of-area	141,188,418	99,134,010				8,114,482	33,939,926			XXX
12. Prescription drugs	244,470,029	181,538,915				17,815,682	45,115,432			XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	740,547	740,547								XXX
15. Subtotal (Lines 8 to 14)	1,588,039,784	1,124,925,641	0	0	0	95,016,969	368,097,174	0	0	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	1,588,039,784	1,124,925,641	0	0	0	95,016,969	368,097,174	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 7,444,391 cost containment expenses	14,544,792	10,303,148				870,257	3,371,387			
20. General administrative expenses	97,837,061	74,443,909				4,635,364	18,757,788			
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,700,421,636	1,209,672,698	0	0	0	100,522,590	390,226,349	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	17,653,637	25,080,747	0	0	0	(5,381,938)	(2,044,196)	0	0	(977)
DETAILS OF WRITE-INS										
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601. Gain/(Loss) on Sale of Assets	(977)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(977)
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	(977)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(977)
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,234,753,445			1,234,753,445
2. Medicare Supplement				0
3. Dental Only.....				0
4. Vision Only.....				0
5. Federal Employees Health Benefits Plan	95,140,652			95,140,652
6. Title XVIII - Medicare	388,182,153			388,182,153
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8)	1,718,076,250	0	0	1,718,076,250
10. Life				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11)	1,718,076,250	0	0	1,718,076,250

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	1,581,547,705	1,124,822,491				94,580,886	362,144,328			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	1,581,547,705	1,124,822,491	0	0	0	94,580,886	362,144,328	0	0	0
2. Paid medical incentive pools and bonuses	1,919,391	1,919,391								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	115,706,839	97,889,397	0	0	0	4,427,540	13,389,902	0	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	115,706,839	97,889,397	0	0	0	4,427,540	13,389,902	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,316,106	1,316,106								
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	109,955,307	98,526,794	0	0	0	3,991,457	7,437,056	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	109,955,307	98,526,794	0	0	0	3,991,457	7,437,056	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	2,494,950	2,494,950	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	1,587,299,237	1,124,185,094	0	0	0	95,016,969	368,097,174	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	1,587,299,237	1,124,185,094	0	0	0	95,016,969	368,097,174	0	0	0
13. Incurred medical incentive pools and bonuses	740,547	740,547	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	35,187,752	29,134,497				1,202,079	4,851,176			
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	35,187,752	29,134,497	0	0	0	1,202,079	4,851,176	0	0	0
2. Incurred but Unreported:										
2.1. Direct	61,935,205	51,280,658				2,115,821	8,538,726			
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	61,935,205	51,280,658	0	0	0	2,115,821	8,538,726	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	18,583,882	17,474,242				1,109,640				
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	18,583,882	17,474,242	0	0	0	1,109,640	0	0	0	0
4. TOTALS:										
4.1. Direct	115,706,839	97,889,397	0	0	0	4,427,540	13,389,902	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	115,706,839	97,889,397	0	0	0	4,427,540	13,389,902	0	0	0

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	74,123,057	1,050,699,434	11,007,769	86,881,628	85,130,826	98,526,794
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan	5,169,353	89,411,533	469,155	3,958,385	5,638,508	3,991,457
6. Title XVIII - Medicare	5,333,177	356,811,151	347,612	13,042,290	5,680,789	7,437,056
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	84,625,587	1,496,922,118	11,824,536	103,882,303	96,450,123	109,955,307
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	1,919,391		575,559	740,547	2,494,950	2,494,950
13. Totals (Lines 9-10+11+12)	86,544,978	1,496,922,118	12,400,095	104,622,850	98,945,073	112,450,257

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,159,968	1,098,083	0	0	
2. 2005	1,090,672	1,143,088	1,142,175	0	
3. 2006	XXX	1,097,265	1,173,174	1,172,811	
4. 2007	XXX	XXX	1,077,727	1,145,094	1,143,888
5. 2008	XXX	XXX	XXX	1,099,455	1,174,785
6. 2009	XXX	XXX	XXX	XXX	1,052,619

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,172,059	1,098,086			
2. 2005	1,157,797	1,149,804	1,142,171		
3. 2006	XXX	1,183,766	1,180,883	1,172,804	
4. 2007	XXX	XXX	1,172,577	1,161,177	1,148,398
5. 2008	XXX	XXX	XXX	1,184,401	1,181,281
6. 2009	XXX	XXX	XXX	XXX	1,140,817

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	1,263,228	0		0.0	0	0.0			0	0.0
2. 2006	1,288,182	0		0.0	0	0.0			0	0.0
3. 2007	1,270,271	1,143,888	(1)	0.0	1,143,887	90.1	4,511	(1)	1,148,396	90.4
4. 2008	1,285,732	1,174,785	4,190	0.4	1,178,975	91.7	6,497	59	1,185,531	92.2
5. 2009	1,234,753	1,052,619	6,114	0.6	1,058,733	85.7	88,198	830	1,147,761	93.0

Pt 2C - Sn A - Paid Claims - MS
NONE

Pt 2C - Sn A - Paid Claims - DO
NONE

Pt 2C - Sn A - Paid Claims - VO
NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	127,256	66,287	.0	.0	
2. 2005	68,401	72,118	72,055	.0	
3. 2006	XXX	87,145	92,351	92,327	
4. 2007	XXX	XXX	83,711	88,244	88,160
5. 2008	XXX	XXX	XXX	83,228	88,481
6. 2009	XXX	XXX	XXX	XXX	89,412

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	127,914	66,291			
2. 2005	72,060	72,444	72,057		
3. 2006	XXX	91,139	92,709	92,328	
4. 2007	XXX	XXX	88,206	88,841	88,464
5. 2008	XXX	XXX	XXX	86,621	88,647
6. 2009	XXX	XXX	XXX	XXX	93,370

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	80,990	.0		0.0	.0	0.0			.0	0.0
2. 2006	90,897	.0		0.0	.0	0.0			.0	0.0
3. 2007	89,502	88,160	.0	0.0	88,160	98.5	303	.0	88,464	98.8
4. 2008	86,986	88,481	353	0.4	88,834	102.1	166	2	89,002	102.3
5. 2009	95,141	89,412	517	0.6	89,929	94.5	3,958	38	93,925	98.7

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	241,163	121,804	0	0	
2. 2005	151,498	151,559	151,529	0	
3. 2006	XXX	188,599	191,073	191,052	
4. 2007	XXX	XXX	221,772	225,711	225,624
5. 2008	XXX	XXX	XXX	258,051	263,471
6. 2009	XXX	XXX	XXX	XXX	356,811

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	241,165	121,804			
2. 2005	151,606	151,559	151,529		
3. 2006	XXX	191,118	191,296	191,055	
4. 2007	XXX	XXX	225,957	225,901	225,931
5. 2008	XXX	XXX	XXX	265,294	263,511
6. 2009	XXX	XXX	XXX	XXX	369,853

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	163,022	0		0.0	0	0.0			0	0.0
2. 2006	208,161	0		0.0	0	0.0			0	0.0
3. 2007	251,751	225,624	0	0.0	225,624	89.6	307	0	225,931	89.7
4. 2008	282,398	263,471	1,354	0.5	264,824	93.8	40	2	264,866	93.8
5. 2009	388,182	356,811	2,018	0.6	358,829	92.4	13,042	120	371,991	95.8

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	.71	.0	.0	.0	
2. 2005 .....	.0	.71	.0	.0	
3. 2006 .....	.XXX	.0	.0	.0	
4. 2007 .....	.XXX	.XXX	.0	.0	
5. 2008 .....	.XXX	.XXX	.XXX	.0	
6. 2009 .....	.XXX	.XXX	.XXX	.XXX	

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	.72	.71			
2. 2005 .....			.71		
3. 2006 .....	.XXX				
4. 2007 .....	.XXX	.XXX			
5. 2008 .....	.XXX	.XXX	.XXX		
6. 2009 .....	.XXX	.XXX	.XXX	.XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	.0	.0		.0	.0	.0			.0	.0
2. 2006 .....	.0	.0		.0	.0	.0			.0	.0
3. 2007 .....	.0	.0		.0	.0	.0			.0	.0
4. 2008 .....	.0	.0		.0	.0	.0			.0	.0
5. 2009		0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,528,457	1,286,175	0	0	0
2. 2005	1,310,571	1,366,836	1,365,760	0	0
3. 2006	XXX	1,373,009	1,456,599	1,456,190	0
4. 2007	XXX	XXX	1,383,210	1,459,049	1,457,672
5. 2008	XXX	XXX	XXX	1,440,734	1,526,737
6. 2009	XXX	XXX	XXX	XXX	1,498,842

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	2,541,179	1,286,252	0	0	0
2. 2005	1,381,463	1,373,807	1,365,828	0	0
3. 2006	XXX	1,466,024	1,464,888	1,456,187	0
4. 2007	XXX	XXX	1,486,740	1,475,920	1,462,793
5. 2008	XXX	XXX	XXX	1,536,315	1,533,440
6. 2009	XXX	XXX	XXX	XXX	1,604,040

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	1,507,240	0	0	0.0	0	0.0	0	0	0	0.0
2. 2006	1,587,240	0	0	0.0	0	0.0	0	0	0	0.0
3. 2007	1,611,525	1,457,672	(1)	0.0	1,457,671	90.5	5,122	(1)	1,462,791	90.8
4. 2008	1,655,116	1,526,737	5,897	0.4	1,532,633	92.6	6,703	63	1,539,400	93.0
5. 2009	1,718,076	1,498,842	8,649	0.6	1,507,491	87.7	105,198	988	1,613,677	93.9

Pt 2C - Sn B - Incurred Claims - MS
NONE

Pt 2C - Sn B - Incurred Claims - DO
NONE

Pt 2C - Sn B - Incurred Claims - VO
NONE

Part 2C - Sn C - Claims Expense Ratio MS
NONE

Part 2C - Sn C - Claims Expense Ratio DO
NONE

Part 2C - Sn C - Claims Expense Ratio VO
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	0								
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$) for investment income.....	400,881						400,881		
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	400,881	0	0	0	0	0	400,881	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	400,881	0	0	0	0	0	400,881	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (Gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	86,051	270,841	1,780,614		2,137,506
2. Salaries, wages and other benefits.....	6,021,861	4,594,254	47,709,950		58,326,065
3. Commissions (less \$ceded plus \$assumed.....)			6,400,208		6,400,208
4. Legal fees and expenses.....			153,369		153,369
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	7,928		3,015,571		3,023,499
7. Traveling expenses.....	13,949	4,544	317,761		336,254
8. Marketing and advertising.....	125,209	10,670	14,238,771		14,374,650
9. Postage, express and telephone.....	12,309	15,861	3,874,306		3,902,476
10. Printing and office supplies.....	2,769	10,195	237,910		250,874
11. Occupancy, depreciation and amortization.....	27,884	87,795	2,745,683		2,861,362
12. Equipment.....			223,701		223,701
13. Cost or depreciation of EDP equipment and software.....	404,448	687,774	10,215,594		11,307,816
14. Outsourced services including EDP, claims, and other services.....	144,550	354,838	6,300,258		6,799,646
15. Boards, bureaus and association fees.....	160				160
16. Insurance, except on real estate.....			398,426		398,426
17. Collection and bank service charges.....			521,857		521,857
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....			63,473		63,473
22. Real estate taxes.....			37,174		37,174
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			10,475		10,475
23.4 Payroll taxes.....	314,902	246,056	2,709,352		3,270,310
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	282,371	817,573	(3,117,392)	0	(2,017,449)
26. Total expenses incurred (Lines 1 to 25).....	7,444,391	7,100,401	97,837,061	0 ^(a)	112,381,852
27. Less expenses unpaid December 31, current year.....		1,050,051	13,774,486		14,824,537
28. Add expenses unpaid December 31, prior year.....	0	777,711	14,476,971	0	15,254,682
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	7,444,391	6,828,061	98,539,545	0	112,811,997
DETAIL OF WRITE-INS					
2501. Miscellaneous.....	282,371	817,573	(3,117,392)		(2,017,449)
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	282,371	817,573	(3,117,392)	0	(2,017,449)

(a) Includes management fees of \$818,864 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a)	
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e)	
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income		
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		
17. Net investment income (Line 10 minus Line 16)		
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
(c) Includes \$.0 accrual of discount less \$.0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ 1,215,540 paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds			.0		
1.1 Bonds exempt from U.S. tax			.0		
1.2 Other bonds (unaffiliated)			.0		
1.3 Bonds of affiliates	.0	.0	.0	.0	.0
2.1 Preferred stocks (unaffiliated)	.0	.0	.0	.0	.0
2.11 Preferred stocks of affiliates	.0	.0	.0	.0	.0
2.2 Common stocks (unaffiliated)	(186)	.0	(186)	3,063,606	.0
2.21 Common stocks of affiliates	.0	.0	.0	8,189,888	.0
3. Mortgage loans	.0	.0	.0	.0	.0
4. Real estate	.0	.0	.0		.0
5. Contract loans			.0		
6. Cash, cash equivalents and short-term investments	(534,752)	.0	(534,752)	(117,171)	.0
7. Derivative instruments			.0		
8. Other invested assets	(1,236)	.0	(1,236)	3,033,524	.0
9. Aggregate write-ins for capital gains (losses)	(4,595)	.0	(4,595)	107,905	.0
10. Total capital gains (losses)	(540,769)	0	(540,769)	14,277,751	0
DETAILS OF WRITE-INS					
0901. Rabbi Trust	(4,595)		(4,595)	107,905	
0902.			.0		
0903.			.0		
0998. Summary of remaining write-ins for Line 9 from overflow page	.0	.0	.0	.0	.0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(4,595)	0	(4,595)	107,905	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	.0	.0	.0
2.2 Common stocks .....	.0	38,137,774	38,137,774
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	.0	.0	.0
3.2 Other than first liens .....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	1,647,104	1,549,121	(97,983)
4.2 Properties held for the production of income.....	.0	.0	.0
4.3 Properties held for sale .....	.0	.0	.0
5. Cash, (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans .....	.0	.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0
8. Receivables for securities .....	.0	.0	.0
9. Aggregate write-ins for invested assets .....	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,647,104	39,686,894	38,039,791
11. Title plants (for Title insurers only).....	.0	.0	.0
12. Investment income due and accrued .....	.0	.0	.0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	.0	.0	.0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	.0	.0	.0
13.3 Accrued retrospective premiums.....	.0	.0	.0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....	.0	.0	.0
14.2 Funds held by or deposited with reinsured companies .....	.0	.0	.0
14.3 Other amounts receivable under reinsurance contracts .....	.0	.0	.0
15. Amounts receivable relating to uninsured plans .....	.0	.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....	.0	.0	.0
16.2 Net deferred tax asset .....	.0	.0	.0
17. Guaranty funds receivable or on deposit .....	.0	.0	.0
18. Electronic data processing equipment and software	12,383,016	13,512,460	1,129,444
19. Furniture and equipment, including health care delivery assets	608,220	1,104,119	495,899
20. Net adjustment in assets and liabilities due to foreign exchange rates .....	.0	.0	.0
21. Receivables from parent, subsidiaries and affiliates .....	.0	.0	.0
22. Health care and other amounts receivable.....	.0	.0	.0
23. Aggregate write-ins for other than invested assets	4,660,634	6,967,027	2,306,393
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	19,298,974	61,270,501	41,971,527
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	19,298,974	61,270,501	41,971,527
DETAILS OF WRITE-INS			
0901. ....			.0
0902. ....			.0
0903. ....			.0
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0
2301. Prepaid Expenses.....	1,864,422	1,774,062	(90,360)
2302. Goodwill	2,796,212	5,192,965	2,396,753
2303. ....			.0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	.0	.0	.0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	4,660,634	6,967,027	2,306,393

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	383,405	368,180	364,561	360,846	355,949	4,365,062
2. Provider Service Organizations.....	0					
3. Preferred Provider Organizations.....	0					
4. Point of Service.....	0					
5. Indemnity Only.....	0					
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	383,405	368,180	364,561	360,846	355,949	4,365,062
DETAILS OF WRITE-INS						
0601.	0					
0602.	0					
0603.	0					
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan(the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual(NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that these accounting practices, procedures and reporting standards are not modified by accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Regulation (OFIR).

OFIR recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining the financial condition and results of operation of an insurance company. The *NAPPM* has been adopted as a component of prescribed or permitted practices by OFIR.

- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with accounting practices prescribed or permitted by OFIR require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.

In addition, the Corporation uses the following accounting policies:

- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
- (2) Bonds not backed by other loans - NOT APPLICABLE.
- (3) Common stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
- (4) Preferred Stocks - NOT APPLICABLE.
- (5) Mortgage Loans - NOT APPLICABLE.
- (6) Loan-Backed Securities - NOT APPLICABLE.
- (7) The Corporation's subsidiaries are included in the statement of admitted assets, liabilities, and net worth - statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to net worth.
- (8) Investments in limited liability companies are carried on the equity basis at market value.
- (9) Derivatives - NOT APPLICABLE.
- (10) The Corporation anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts. As of December 31, 2009, the Corporation is not required to report a premium deficiency reserve.
- (11) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Corporation has not modified its capitalization policy from the prior year.
- (13) The Corporation's pharmaceutical rebate receivables are calculated using historical rebate trends and membership.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERROR

- A. Material changes in accounting principles and/or correction of errors - NOT APLICABLE.

3. BUSINESS COMBINATIONS AND GOODWILL

- A. Statutory Purchase Method - NOT APPLICABLE.
- B. Statutory Merger - NOT APPLICABLE.
- C. Assumption Reinsurance - NOT APPLICABLE.
- D. Impairment Loss - NOT APPLICABLE.

4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS

- A. Mortgage Loans, including Mezzanine Real Estate Loans - NOT APPLICABLE.
- B. Debt Restructurings - NOT APPLICABLE.
- C. Reverse Mortgages - NOT APPLICABLE.
- D. Loan-Backed Securities - NOT APPLICABLE.
- E. Repurchase Agreements and/or Securities Lending Transactions - NOT APPLICABLE.
- F. Real Estate - the Corporation has not recognized an impairment loss on its investments in real estate and has not sold or classified real estate investments as held for sale.
- G. Investments in Low-Income Housing Tax Credits - NOT APPLICABLE.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. The Corporation did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. INVESTMENT INCOME

The Corporation had no excluded investment income.

8. DERIVATIVE INSTRUMENTS

The Corporation does not hold any derivative instruments.

9. INCOME TAXES

- A. Deferred Tax Assets or Deferred Tax Liabilities - NOT APPLICABLE.
- B. Unrecognized Deferred Tax Liabilities - NOT APPLICABLE.
- C. Components of Income Tax Incurred - NOT APPLICABLE.
- D. Significant Book to Tax Adjustments - NOT APPLICABLE.
- E. Operating Loss and Tax Credit Carryforwards - NOT APPLICABLE.
- F. Consolidated Federal Tax Returns - NOT APPLICABLE.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. The Corporation has two wholly owned subsidiaries, HAP Preferred, Inc. (HPI) and Alliance Health and Life Insurance Company(AHLIC). The Corporation is a subsidiary of Henry Ford Health System (HFHS).
- B. The Corporation has management agreements with HPI and AHLIC in which it provides various administrative and support services. The Corporation also provides claims processing and premium billing and collection services for AHLIC. HPI provides care and utilization management services to the Corporation's members.
- C. The Corporation received subscription revenue from related parties totaling approximately \$142,665,000 and \$132,982,000 in 2009 and 2008, respectively. The Corporation purchased healthcare and administrative services from related parties totaling approximately \$655,992,000 and \$607,314,000 in 2009 and 2008, respectively.
- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$234,000, and \$1,009,000 from HPI and AHLIC respectively and intercompany payables of \$239,000 and \$234,000 due to HPI and AHLIC, respectively. The Corporation also has an intercompany payable to HFHS of \$134,000. The terms of the settlement require that these amounts be settled within 15 days.
- E. The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated Group). As of December 31, 2009, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$881,523,000 issued under the master indenture. The Obligated Group has guaranteed \$0 in indebtedness of other entities.

NOTES TO FINANCIAL STATEMENTS

- F. The Corporation has management agreements with HPI and AHLIC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to AHLIC and HPI totaled approximately \$14,431,000 and \$15,435,000 in 2009 and 2008, respectively. Included in the statement of admitted assets, liabilities and capital and surplus are payables associated with healthcare services purchased from related parties totaling approximately \$1,043,000 and \$4,075,000 in 2009 and 2008, respectively. Receivables associated with healthcare services from related parties totaled \$1,067,000 in 2009.
- G. Common Ownership or Control - The Corporation and its subsidiaries and affiliates are not subject to common ownership or control whereby their operating results or financial position would be significantly different from those if the entities were autonomous.
- H. Ownership in an Upstream Affiliate or Parent - NOT APPLICABLE.
- I. Investments in SCA Entities Exceeding 10% of Admitted Assets - NOT APPLICABLE.
- J. Investments in Impaired SCA Entities - NOT APPLICABLE.
- K. Investments in Foreign Insurance Subsidiaries - NOT APPLICABLE.
- L. Investment in Downstream Noninsurance Holding Company - NOT APPLICABLE.

11. DEBT

- A. Debt, including Capital Notes and Reverse Repurchase Agreements - NOT APPLICABLE.
- B. FHLB (Federal Home Loan Bank) Agreements - NOT APPLICABLE.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT PLANS

- A. The Corporation has a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974.

The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

The Corporation provides postretirement healthcare and life insurance benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of a fixed dollar subsidy.

A summary of the changes in benefit obligations for the Pension and Other Postretirement Benefit Plans at December 31, 2009 and 2008 are as follows (dollars in thousands):

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
(1) Change in benefit obligation				
a. Benefit obligation at beginning of year	\$51,758	\$ 53,081	\$ 681	\$ 591
b. Service cost	3,343	3,851	65	33
c. Interest cost	4,068	3,330	54	37
d. Actuarial gain (loss)	12,996	(3,774)	174	(17)
e. Benefits paid	(5,726)	(4,301)	(89)	(105)
f. Plan amendments	(41)	(30)	-	142
g. Other	1,494	(399)	30	-
h. Benefit Obligation at end of year	<u>\$67,892</u>	<u>\$ 51,758</u>	<u>\$ 915</u>	<u>\$ 681</u>
	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
(2) Change in Plan assets				
a. Fair value of plan assets at beginning of year	\$37,102	\$ 37,015	\$ -	\$ -
b. Actual return on plan assets	3,898	(5,190)	-	-
c. Employer contribution	8,666	9,977	89	105
d. Benefits paid	(5,726)	(4,301)	(89)	(105)
e. Other	<u>(359)</u>	<u>(399)</u>		
Fair value of Plan assets at end of year	<u>\$43,581</u>	<u>\$ 37,102</u>	<u>-</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2009	2008	2009	2008
(3) Funded status				
a. Unamortized prior service cost	(518)	(548)	(21)	(29)
b. Unrecognized net gain or (loss)	16,069	2,538	118	(56)
c. Remaining net obligation or net asset at initial date of application	8,291	9,045	(191)	(208)
d. Prepaid assets or accrued liabilities	-	-	-	-
e. Intangible asset	-	-	-	-
d. Other	-	760	-	-
(4) Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	\$53,760	\$42,213	915	-

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2009	2008	2009	2008
(5) Benefit obligation for non-vested employees				
a. Projected pension obligation	\$ 834	\$ 922	\$ 186	\$ 149
b. Accumulated benefit obligation	468	693	186	149

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2009	2008	2009	2008
(6) Components of net periodic benefit cost				
a. Service cost	\$ 3,343	\$ 3,851	\$ 65	\$ 33
b. Interest cost	4,068	3,330	54	37
c. Expected return on plan assets	(3,137)	(3,054)	-	-
d. Amortization of unrecognized transition obligation or transition asset	603	602	(14)	(14)
e. Amount of recognized gains and losses	(101)	(24)	-	(31)
f. Amount of prior service cost recognized	(57)	(60)	(7)	(3)
g. Amount of gain or loss recognized due to a settlement or curtailment	(386)	-	-	-
h. Total net periodic benefit cost	<u>\$ 4,333</u>	<u>\$ 4,645</u>	<u>\$ 98</u>	<u>\$ 22</u>

(7) \$-0- arising from a change in the additional minimum pension liability recognized is included in unassigned funds.

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2009	2008	2009	2008
(8) Weighted -average assumptions used to determine net periodic benefit cost as of Dec 31:				
a. Weighted average discount rate	8.50 %	6.55 %	8.50 %	6.55 %
b. Expected long-term rate of return on plan assets	8.50	8.50	N/A	N/A
c. Rate of compensation increase	Age-Related Salary Scale	Age-Related Salary Scale	N/A	N/A
Weighted average assumptions used to determine projected benefit obligations as of Dec 31:				
a. Weighted average discount rate	5.70	8.50	5.70	8.50
b. Rate of compensation increase	Age-Related Salary Scale	Age-Related Salary Scale	N/A	N/A

(9) A measurement date of December 31, 2009 was used to determine the above.

(10) Significant assumptions used in valuing the postretirement health care obligations at December 31, 2009 and 2008 include:

	2009	2008
Medical inflation rate	varies then scaled to 5% over twenty three years	varies then scaled to 5% over six years
Pharmaceutical inflation rate	10% then scaled to 5% over twenty three years	11.% then scaled to 5% over six years

(11) A 1.0% increase in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation by .97% and decrease the net periodic cost by 1.0%. A 1.0% decrease in the assumed medical rate of inflation would decrease the accumulated postretirement benefit obligation by .84% and increase the net periodic cost by 1.0%.

NOTES TO FINANCIAL STATEMENTS

(12) The Corporation invests the majority of the assets of the Plan in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. The targeted allocation percentages are 45% common stock and 55% bonds and other fixed instruments. The percentage of the fair value of total plan assets held as of December 31, the measurement date, is shown below.

	2009	2008	Target Allocation
Cash and money markets	1 %	4 %	0% - 10%
Debt Securities	37	34	15% - 35%
Equity Securities	56	54	35% - 55%
Other	<u>6</u>	<u>8</u>	10% - 20%
Total	<u>100 %</u>	<u>100 %</u>	

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering both historical experience and the current economic environment. The expected returns of various asset categories are blended to derive one long-term assumption.

(13) The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

	Pension Benefits	Postretirement Benefits	Annual Subsidy
2010	\$ 5,480,000	\$ 80,000	\$ 20,000
2011	5,320,000	80,000	20,000
2012	7,140,000	80,000	20,000
2013	6,380,000	80,000	30,000
2014	6,840,000	80,000	30,000
Years 2015 through 2019	32,320,000	380,000	200,000

The Corporation is expected to make a contribution to the Plan during 2010 in the amount of \$4,409,000.

The Corporation is expected to make a \$80,000 contribution to the postretirement health care plan in 2010.

B. Defined Contribution Plan

Substantially all employees who have completed a stipulated number of months of continuous service can elect to participate in a 401(k) savings plan sponsored by the Corporation. Employees can elect to contribute to the plan and the Corporation matches a portion of the employees contributions. The Corporation's contributions were \$563,000 and \$734,000 in 2009 and 2008, respectively.

C. Multi-employer Plans - NOT APPLICABLE.

D. Consolidated/Holding Company Plans - NOT APPLICABLE.

E. Postemployment Benefits and Compensated Absences - NOT APPLICABLE.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - NOT APPLICABLE.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

(1) Capital Stock - NOT APPLICABLE.

(2) Preferred Stock - NOT APPLICABLE.

(3) Dividend Restrictions - the Corporation may not pay out a dividend without the prior written approval its domiciliary commissioner. Dividends are limited by the laws of the Corporation's state of incorporation, Michigan, to amounts that are based on restrictions relating to minimum capital and surplus requirements.

NOTES TO FINANCIAL STATEMENTS

- (4) In December 2008, the Corporation paid a dividend of \$35,800,000 to its parent, HFHS.
- (5) Dividend Restrictions Based on Profits - within the restrictions of (3) above, there are no restrictions placed the amount of profits that may be paid out as dividends.
- (6) Restrictions on Unassigned Funds (Surplus) - NOT APPLICABLE.
- (7) Advances to Surplus not Repaid - NOT APPLICABLE.
- (8) Stock Held for Special Purposes - NOT APPLICABLE.
- (9) Changes in Special Surplus Funds - NOT APPLICABLE.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is (349,000).
- (11) Surplus Notes - NOT APPLICABLE.
- (12) Impact of a Restatement Due to a Quasi-Reorganization - NOT APPLICABLE.
- (13) The Effective Date(s) of a Quasi-Reorganization for the Prior Ten Years - NOT APPLICABLE.

14. CONTINGENCIES

- A. Contingent Commitments - NOT APPLICABLE.
- B. Assessments - NOT APPLICABLE.
- C. Gain Contingencies - NOT APPLICABLE.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits - NOT APPLICABLE.
- E. All Other Contingencies - The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. LEASES

- A. Lessee Operating Lease
 - (1)
 - a. The Corporation leases office facilities and equipment under various noncancelable operating lease agreements that expire through December 2024. Rental expense for 2009 and 2008 was approximately \$1,399,000 and \$1,313,000 , respectively.
 - b. Certain rental commitments have renewal options extending through the year 2013. Some of these renewals are subject to adjustments in future periods.
 - (2) At January 1, 2010, the minimum aggregate rental commitments are as follows (dollars in thousands):

Year Ending December 31

1. 2010	\$1,618,000
2. 2011	1,618,000
3. 2012	1,618,000
4. 2013	843,000
5. 2014	60,000
6. Total	<u>\$ 5,757,000</u>

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,399,000 and \$1,313,000 for the years ended December 31, 2009 and 2008, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

- (3) Material Sales - Leaseback Transactions - NOT APPLICABLE.
- C. Leveraged Leases - NOT APPLICABLE.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

NOT APPLICABLE.

NOTES TO FINANCIAL STATEMENTS

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

- A. Transfers of Receivables Reported as Sales - NOT APPLICABLE.
- B. Transfer and Servicing of Financial Assets - NOT APPLICABLE.
- C. Wash Sales - NOT APPLICABLE.

18. GAIN OR LOSS TO THE ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

- A. ASO Plans - NOT APPLICABLE.
- B. ASC Plans - NOT APPLICABLE.
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts
 - (1) Revenue from the Corporation's Medicare Part D cost based reimbursement portion of its CMS contract consisted of \$2,003,000 and \$1,112,000 for the reinsurance subsidy and \$2,151,000 and \$1,908,000 for the low-income cost sharing subsidy for the years 2009 and 2008, respectively.
 - (2) As of December 31, 2009 and 2008, respectively, the Corporation had recorded receivables from the following payors whose balances are greater than 10% of the Corporation's amounts receivable from uninsured accident and health plans or \$10,000:

	<u>2009</u>	<u>2008</u>
Centers for Medicare and Medicaid Services (CMS)	\$378,000	\$95,000

- (3) Allowances and Reserves for Adjustment of Recorded Revenues - NOT APPLICABLE.
- (4) The Corporation has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

NOT APPLICABLE.

20. OTHER ITEMS

- A. Extraordinary Items - NOT APPLICABLE.
- B. Troubled Debt Restructuring - NOT APPLICABLE.
- C. Other Disclosures

Statutory Reserve: As a condition of licensure with the State of Michigan, the Corporation maintains a deposit of \$1,000,000 in a segregated account. These funds can only be used by the Corporation at the direction of the Insurance Commissioner of the State of Michigan. These funds are invested in a money market fund (stated at fair value). Interest on these funds accrues to the Corporation.

Stop Loss/Out-of-Network Reserve: During 2003, the Corporation established a trust in the amount of \$12,000,000 for the sole benefit of subscribers and enrollees, to cover catastrophic exposure for members where HAP retains risk for health care services, which exceed \$500,000 per occurrence and, in the event of insolvency, to cover services provided to members by noncontracted providers. The funds are maintained in compliance with an agreement with the Insurance Commissioner for the State of Michigan and can only be used by the Corporation at the direction of the Insurance Commissioner. The funds are invested in a money market fund (stated at fair value) and interest on these funds accrues to the Corporation.

On September 15, 2008, the Corporation had approximately \$194.4 million invested in the Reserve Primary Fund ("Primary Fund"), a money market fund managed by The Reserve ("Reserve"). On September 15 through 17, 2008, HAP sought to redeem all of its funds, but none of its requests were honored. On September 22, 2008, the Securities and Exchange Commission granted the Reserve's application to suspend the right of redemption of the outstanding redeemable securities in the Primary Fund and postpone payment for shares that had been submitted for redemption. On December 3, 2008, the Reserve adopted a plan of liquidation and a plan of distribution and on February 26, 2009 issued a statement regarding a special reserve under the plan of liquidation. HAP recorded an estimated loss of approximately \$3,000,000 as of December 31, 2008. As of January 31, 2010, the Reserve has completed six partial distributions from the Primary Fund to HAP totaling approximately \$191.7 million.

As of December 31, 2009, HAP held an investment in the Reserve Primary Fund ("Fund") of \$12,730,000. The Securities Valuation Office downgraded the Fund's status below a Class I investment as of September 30, 2008 and HAP has classified the investment as common stock.

NOTES TO FINANCIAL STATEMENTS

D. At December 31, 2009 and December 31, 2008 the Corporation had admitted assets of \$21,699,000 and \$15,156,000, respectively, in Uncollected Premiums. The Corporation routinely assesses the collectibility of these receivables. Based upon the Corporation's experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Corporation's financial condition.

The Corporation has a receivable in the amount of \$378,000 from CMS related to uninsured accident and health plans. The Corporation has no receivables for retrospectively rated contracts.

E. Business Interruption Insurance Recoveries - NOT APPLICABLE.

F. State Transferable Tax Credits - NOT APPLICABLE.

G. Hybrid Securities - NOT APPLICABLE.

H. Subprime Mortgage Related Risk Exposure - NOT APPLICABLE.

21. EVENTS SUBSEQUENT

NOT APPLICABLE.

22. REINSURANCE

A. Ceded Reinsurance Report - NOT APPLICABLE.

B. Uncollectible Reinsurance - NOT APPLICABLE.

C. Commutation of Ceded Reinsurance - NOT APPLICABLE.

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

A. The Corporation estimates accrued retrospective premium adjustments related to its Medicare Advantage health insurance contracts. An estimated risk sharing receivable or payable for the CMS risk corridor provision is recognized based on activity-to-date and is accumulated at the contract level and recorded as aggregate policy reserves. Costs for prescription drugs are expensed as incurred.

B. The Corporation records accrued retrospective premium as an adjustment to earned premium.

C. The amount of net premiums written by the Corporation at December 31, 2009 that are subject to retrospective rating or redetermination features was \$483,323,000 million, that represented 28.0% of the total net premiums written for the Corporation. No other net premiums written by the Corporation are subject to retrospective rating features.

24. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Activity in the liability for claims unpaid at December 31, 2009 and 2008 is summarized as follows:

	2009	2008
Balance - January 1	\$109,956,000	\$109,337,000
Incurred related to:		
Current year	1,600,804,000	1,531,340,000
Prior year	(13,505,000)	(17,038,000)
Total incurred	1,587,299,000	1,514,302,000
Paid related to:		
Current year	1,496,922,000	1,431,130,000
Prior year	84,626,000	82,553,000
Total paid	1,581,548,000	1,513,683,000
Balance - December 31	\$ 115,707,000	\$ 109,956,000

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior years" reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

25. INTERCOMPANY POOLING ARRANGEMENTS

NOT APPLICABLE.

26. STRUCTURED SETTLEMENTS

NOT APPLICABLE.

NOTES TO FINANCIAL STATEMENTS

27. HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

These rebates are calculated using historical rebate trends and membership.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2009	1,690	1,946			
09/30/2009	1,630	1,996	1,711		
06/30/2009	1,486	1,690	1,801	156	
03/31/2009	1,481	1,623	1,901	90	
12/31/2008	1,521	1,523	1,543	120	41
09/30/2008	1,494	1,524	1,214	70	116
06/30/2008	1,494	1,504	1,355	225	
03/31/2008	1,036	1,375	1,698	41	66
12/31/2007	1,037	1,238	1,450	266	
09/30/2007	1,600	1,629	1,407	313	254
06/30/2007	1,613	1,691	1,685	116	139
03/31/2007	2,924	2,721	3,233	24	49

B. Risk Sharing Receivables - NOT APPLICABLE.

28. PARTICIPATING POLICIES

NOT APPLICABLE.

29. PREMIUM DEFICIENCY RESERVES

NOT APPLICABLE.

31. ANTICIPATED SALVAGE AND SUBROGATION

NOT APPLICABLE.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []
- 1.3

State Regulating?.....

Michigan.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2006
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....06/24/2008
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Regulation.....
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [X] No [] N/A []
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [X] No [] N/A []
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [] No [X]

4.12 renewals? Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [] No [X]

4.22 renewals? Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control0.0

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....
.....
.....
.....
.....
.....

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?.....

Deloitte & Touche LLP Suite 900 600 Renaissance Center Detroit MI 48243-1895.....
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....

David O Thoen FSA MAAA Deloitte & Touche LLP 400 One Financial Plaza 120 S Sixth Street Minneapolis MN 55402-1844.....
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?.....

Yes [] No [X]

11.11

Name of real estate holding company

Not applicable.....

11.12

Number of parcels involved.....

0

11.13

Total book/adjusted carrying value.....

\$0
- 11.2

If yes, provide explanation.....

Not applicable
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States Trustees of the reporting entity?.....

Not applicable
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] N/A [X]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:.....
- 13.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).....
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).....

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g. Generally Accepted Accounting Principles)?

Yes [☐] No [☒]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$0

18.12 To stockholders not officers

\$0

18.13 Trustees, supreme or grand (Fraternal only)

\$0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$0

18.22 To stockholders not officers

\$0

18.23 Trustees, supreme or grand (Fraternal only)

\$0

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [☐] No [☒]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$0

19.22 Borrowed from others

\$0

19.23 Leased from others

\$0

19.24 Other

\$0

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [☐] No [☒]

20.2

If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$0

20.22 Amount paid as expenses

\$0

20.23 Other amounts paid

\$0

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [☒] No [☐]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$1,067,289

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes [☒] No [☐]

22.2

If no, give full and complete information, relating thereto.....

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided).....

Not applicable.....

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [☐] No [☐] N/A [☒]

22.5

If answer to 22.4 is yes, report amount of collateral.

\$0

22.6

If answer to 22.4 is no, report amount of collateral.

\$0

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [☒] No [☐]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$

23.22 Subject to reverse repurchase agreements

\$

23.23 Subject to dollar repurchase agreements

\$

23.24 Subject to reverse dollar repurchase agreements

\$

23.25 Pledged as collateral

\$

23.26 Placed under option agreements

\$

23.27 Letter stock or securities restricted as to sale

\$

23.28 On deposit with state or other regulatory body

\$13,000,000

23.29 Other

\$12,729,920

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....
.....

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [☐] No [☒]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes [☐] No [☐] N/A [☒]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [☐] No [☒]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$0

GENERAL INTERROGATORIES

26. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Comerica Bank NA.....	Detroit Michigan.....

26.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Not applicable.....		

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Not applicable.....			

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
Not applicable.....	Brian Gamble.....	Detroit Michigan.....
104559.....	Brian Jacobs.....	New York New York.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [] No [X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....		
.....		
.....		
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	235,807,164	235,807,164	0
28.2 Preferred stocks.....	0	0	0
28.3 Totals	235,807,164	235,807,164	0

28.4 Describe the sources or methods utilized in determining the fair values:.....
Fair values are determined by the Company's brokers and custodians whom utilize nationally recognized securities ratings organizations.....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [X] No []

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:...

30.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:.....

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$737,200

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
America's Health Insurance Plans.....	\$.....272,100

32.1 Amount of payments for legal expenses, if any? \$153,400

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Not applicable.....	\$.....0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
Not applicable.....	\$.....0

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only

\$0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$0

1.31 Reason for excluding

Not applicable

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$0

1.5 Indicate total incurred claims on all Medicare Supplement Insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$0

1.62 Total incurred claims

\$0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$0

1.65 Total incurred claims

\$0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$0

1.72 Total incurred claims

\$0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$0

1.75 Total incurred claims

\$0

1.76 Number of covered lives

.....0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$1,718,076,250	\$	.....1,655,116,487
2.2	Premium Denominator	\$1,718,076,250	\$	.....1,655,116,487
2.3	Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4	Reserve Numerator	\$117,423,827	\$	.....113,688,014
2.5	Reserve Denominator	\$117,423,827	\$	.....113,688,014
2.6	Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [X] No []

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2 If no, explain:

The Company maintains a stop/loss out of network reserve in compliance with an agreement with the Insurance Commissioner of the State of Michigan

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$0

5.32 Medical Only

\$0

5.33 Medicare Supplement

\$0

5.34 Dental and Vision

\$0

5.35 Other Limited Benefit Plan

\$0

5.36 Other

\$0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Please see Attachment D

7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [X] No []

7.2 If no, give details:

8. Provide the following Information regarding participating providers:

8.1 Number of providers at start of reporting year

.....8,372

8.2 Number of providers at end of reporting year

.....10,869

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

.....0

9.22 Business with rate guarantees over 36 months

.....0

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes ☒ No ☐

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....0

10.22 Amount actually paid for year bonuses

\$.....1,919,391

10.23 Maximum amount payable withholds

\$.....16,843,404

10.24 Amount actually paid for year withholds

\$.....11,247,943

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes ☐ No ☐

11.13 An Individual Practice Association (IPA), or,

Yes ☒ No ☐

11.14 A Mixed Model (combination of above) ?

Yes ☐ No ☐

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes ☒ No ☐

11.3 If yes, show the name of the state requiring such net worth.

Michigan.....

11.4 If yes, show the amount required.

\$.....110,864,532

11.5 Is this amount included as part of a contingency reserve in stockholders equity?

Yes ☐ No ☒

11.6 If the amount is calculated, show the calculation.

The amount reported is the greater of 4% of premiums or 200% of the authorized control level risk based capital

12.1 List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Arenac County.....
Bay County.....
Clare County.....
Genessee County.....
Gladwin County.....
Gratiot County.....
Huron County.....
Iosco County.....
Isabella County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Midland County.....
Monroe County.....
Oakland County.....
Ogemaw County.....
Roscommon County.....
Saginaw County.....
Sanilac County.....
St Clair County.....
Tuscola County.....
Washtenaw County.....
Wayne County.....

13.1 Do you act as a custodian for health savings accounts?

Yes ☐ No ☒

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$0

13.3 Do you act as an administrator for health savings accounts?

Yes ☐ No ☒

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$0

FIVE - YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	405,318,071	323,229,153	402,538,985	393,976,048	347,709,889
2. Total liabilities (Page 3, Line 22)	149,024,803	147,005,180	163,638,385	151,623,795	126,936,579
3. Statutory surplus	110,864,532	99,853,168	107,139,404	101,692,506	60,289,591
4. Total capital and surplus (Page 3, Line 31)	256,293,268	176,223,972	238,900,600	242,352,253	220,773,309
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,718,075,273	1,655,100,868	1,611,533,163	1,587,239,857	1,507,239,774
6. Total medical and hospital expenses (Line 18)	1,588,039,784	1,516,796,475	1,477,548,298	1,444,264,594	1,373,356,695
7. Claims adjustment expenses (Line 20)	14,544,792	15,319,452	14,380,243	14,472,835	17,408,413
8. Total administrative expenses (Line 21)	97,837,061	100,529,482	99,402,501	95,252,446	96,030,520
9. Net underwriting gain (loss) (Line 24)	17,653,637	22,455,460	20,202,121	33,249,982	20,444,146
10. Net investment gain (loss) (Line 27)	5,087,029	(3,128,424)	15,145,125	15,223,380	13,199,245
11. Total other income (Lines 28 plus 29)	47,926	148,929	540,896	418,350	569,742
12. Net income (loss) (Line 32)	22,788,591	19,475,964	35,888,141	48,891,712	34,213,133
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	26,685,354	31,578,231	62,785,348	89,788,926	8,127,578
Risk-Based Capital Analysis					
14. Total adjusted capital.....	256,293,268	176,223,972	239,594,959	242,856,420	221,043,306
15. Authorized control level risk-based capital.....	55,432,266	49,926,584	53,569,702	50,846,360	42,249,380
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	355,949	383,405	400,317	430,864	449,656
17. Total member months (Column 6, Line 7)	4,365,062	4,689,473	4,882,616	5,268,071	5,446,041
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	92.4	91.6	91.7	91.0	91.1
20. Cost containment expenses	0.4	0.4	0.4	0.5	0.5
21. Other claims adjustment expenses	0.4	0.5	0.4	0.5	0.6
22. Total underwriting deductions (Line 23)	99.0	98.6	98.7	97.9	98.6
23. Total underwriting gain (loss) (Line 24)	1.0	1.4	1.3	2.1	1.4
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	98,945,073	94,779,071	93,140,154	64,680,852	93,222,829
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	112,450,257	111,817,594	100,063,277	83,643,929	101,329,034
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24 Col. 1)	22,897,995	14,708,107	24,289,575	25,693,822	26,702,976
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		292,905	275,769	0	0
32. Total of above Lines 26 to 31	22,897,995	15,001,012	24,565,344	25,693,822	26,702,976

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?.....Yes [] No []

If no, please explain:

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

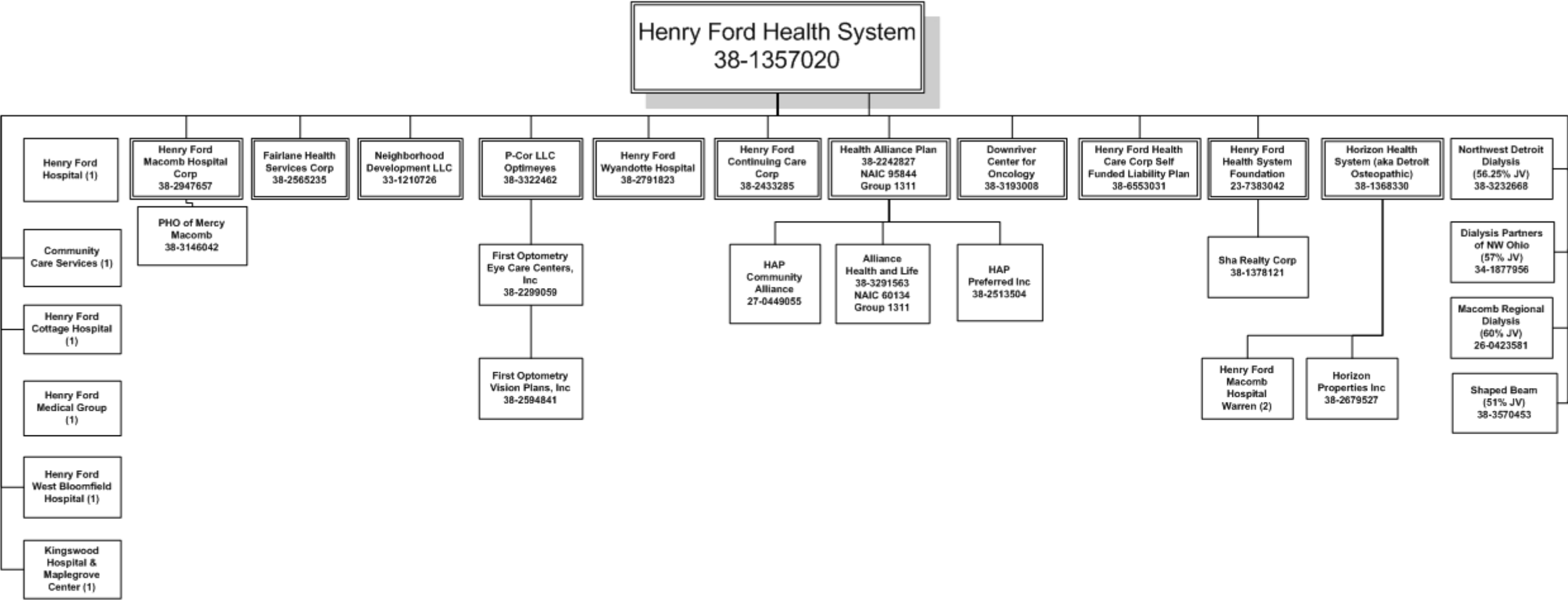
State, Etc.		1	Direct Business Only							
			2	3	4	5	6	7	8	9
		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	N							0	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. District of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	L	1,229,040,829	388,182,153		95,140,652			1,712,363,634	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	N							0	0
37. Oklahoma	OK	N							0	0
38. Oregon	OR	N							0	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	N							0	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	N							0	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CN	N							0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		1,229,040,829	388,182,153	0	95,140,652	0	0	1,712,363,634	0
60. Reporting entity contributions for Employee Benefit Plans	XXX		5,712,616						5,712,616	
61. Total (Direct Business)	(a)	1	1,234,753,445	388,182,153	0	95,140,652	0	0	1,718,076,250	0
DETAILS OF WRITE-INS										
5801.	XXX								0	
5802.	XXX								0	
5803.	XXX								0	
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated to the states based upon situs of the contract of Individual and Employer Group policyholders

(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



38

Legend:

(1) Represents a business unit under Henry Ford Health System's Tax ID #

(2) Represents a business unit under Horizon Health System

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